



Committee on Ways and Means Democrats

Representative Charles B. Rangel - Ranking Democratic Member

Issue Brief – November 30, 2005

A New Roadblock To Leaving Welfare and Poverty -- *Republican Reconciliation Bill Reduces Access to Child Care, Health Care and Other Work Supports*

The Republican budget reconciliation legislation (HR 4241) recently passed by the House includes changes to the Temporary Assistance for Needy Families (TANF) program that have drawn criticism from Governors, welfare directors, poverty experts and religious leaders since first proposed nearly four years ago.

This radical restructuring of the TANF program would require States to dramatically increase the number of welfare recipients who are in federally-defined work activities, while simultaneously increasing the number of hours they spend in such activities. In the case of single mothers with children under the age of six, work participation requirements would be doubled – from 20 to 40 hours a week. Additionally, the proposal would reduce State flexibility to count vocational training toward the work requirements (decreasing the amount of time an individual can be enrolled in training and education from one year to only 3 to 4 months).

Many States have complained these provisions will force them to focus on creating unpaid, “make-work” programs, instead of moving welfare recipients into real jobs.

Even as the House reconciliation bill substantially increases work requirements for welfare recipients, it significantly reduces access to services and programs that help people leave welfare for wage-paying work. The House legislation falls far short of allowing child care funding to maintain pace with inflation, not to mention covering the implementation of new work requirements. The result will be a reduction in child care coverage compared to current levels. The Republican bill in the House also fails to extend the Transitional Medical Assistance (TMA) program, which now provides up to one year of continued Medicaid coverage for welfare recipients going to work. And finally, the House bill eliminates the only TANF funding dedicated to rewarding States for moving welfare recipients into the workforce and up the economic ladder.

CHILD CARE:

Preventing child care funding from keeping pace with inflation will undoubtedly cut child care assistance compared to current levels. Even President Bush's FY 2006 budget conceded this point when it estimated that flat funding for child care over the next five years would result in 300,000 fewer individuals receiving assistance in 2009 compared to 2004.

The Congressional Budget Office (CBO) estimates that it will cost \$3.5 billion over the next five years to maintain the current level of child care services as now provided by all *federal* funds. The House reconciliation bill provides only \$500 million in additional mandatory funds over five years – less than 15% of what is needed to keep pace with inflation and maintain the current level of services. Any suggestion that promises of additional unguaranteed, authorized funding might make up even part of the difference is contrary to Republican demands to freeze all non-defense discretionary spending in coming years.

This cut in real funding levels for child care will come at the same time the Republican bill requires States to spend more on day care to comply with new work requirements in the TANF program. In fact, CBO assumes it will cost States \$8.3 billion over five years to comply with the work requirements in the House bill.

If child care is short-funded, the burden will fall predominantly on low-income, working families who have recently left or who were never on welfare. The Center on Budget and Policy Priorities estimates that 330,000 children in these working, non-welfare families would lose their child care subsidies by 2010 under the House reconciliation bill.

It should be noted that many low-income, working families are already excluded from receiving child care assistance because of long waiting lists, high cost sharing requirements, and/or cuts in eligibility levels. Only about one-quarter of children who are eligible for child care assistance under *State* eligibility rules actually receive any help. This ratio drops to one out of every seven children under federal eligibility criteria.

HEALTH CARE:

The Transitional Medical Assistance program provides up to one year of continued Medicaid coverage to individuals who leave welfare for work. Despite the fact that TMA is scheduled to expire at the end of the December, the Republican reconciliation bill does not provide an extension for the program.

The Congressional Research Service (CRS) estimates there are approximately 1.8 million individuals in working families who now receive their health care coverage through TMA.

Without TMA, many individuals will be asked to give up a year of transitional health coverage when they move into the workforce since many low-wage jobs do not provide health insurance. This is a clear disincentive to move from welfare to work.

Some might suggest the TMA program can be extended separately on a temporary basis. However, recent experience suggests that such temporary extensions will be increasingly difficult. In October, spending authority for TMA was discontinued for over a week as the House and Senate argued over the length of the extension and how it should be paid for. Providing a five-year reauthorization for TANF without acting on TMA will make future temporary extensions of TMA even less certain.

OTHER WORK SUPPORTS:

The House reconciliation bill freezes funding for the TANF program through 2010. CRS projects this will cut the real value of TANF funding by 25% compared to program's inception in 1997. Only about one-third of TANF funding goes toward direct cash assistance with the remainder going toward work supports and other aid to families.

In addition to this overall reduction in resources dedicated to promoting work, the Republican reconciliation bill discontinues funding specifically focused on moving welfare recipients

into wage-paying employment. The legislation would eliminate the TANF High Performance Bonus, which provides \$200 million a year to States that succeed in promoting job entry, employment retention, earnings gains, and receipt of work supports among welfare recipients. Since 2001, this program has sent significant sums to many States, including \$64 million to Ohio, \$48 million to Florida, and \$43 million to Missouri.

CONCLUSION:

The House reconciliation bill reduces access to services which help promote employment while simultaneously requiring more work from welfare recipients. Resolving this disconnect in a conference with the Senate is not an easy task. Meeting child care, health care and other work support challenges all require resources, and the reconciliation process is generally designed to cut the budget.

Recognizing this reality, the National Governors Association opposes addressing TANF as part of any budget reconciliation bill.

The Senate Finance Committee's TANF bill (S.667) proposed spending \$6 billion on child care and \$4 billion on TMA over the next five years. In comparison, the House reconciliation bill spends only \$500 million on child care and nothing on TMA, leading to a \$9.5 billion difference on those two issues alone. If the House position mostly prevails, work will be devalued and poverty will increase.